

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801) 530-6980

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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE OF THE STATE OF UTAH

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IN THE MATTER OF:

**KEVIN LAWRENCE WRIGHT**, and  
**MICHAEL STEPHEN HURST**,

Respondents.

DEFAULT ORDER

**Docket No. SD-06-0008**  
Docket No. SD-06-0009

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**I. BACKGROUND**

A formal adjudicative proceeding was initiated by the Division's Order to Show Cause (OSC) and Notice of Agency Action (Notice) dated February 10, 2006, against Kevin Lawrence Wright and Michael Stephen Hurst (the Respondents). At a hearing on April 17, 2006, the Director, as hearing officer, found Kevin Lawrence Wright in default for failing to file a response to the OSC. Based on that default, the Director enters this order.

**II. FINDINGS OF FACT**

1. The Division served, by certified mail, a copy of the OSC and Notice on Wright, at his last known address.

2. As of April 17, 2006, the date of the hearing, Wright had not filed a written response or answer to the OSC with the Division.
3. Kevin Lawrence Wright (Wright) is a resident of Washington County, Utah.
4. In or around May 2002, Utah residents (the Investors), met with Wright in Salt Lake County, to discuss purchasing a home as an investment.
5. Wright told the Investors he was a mortgage broker and knew of a home for sale in Bluffdale, Utah. Wright also told the Investors:
  - a. They could buy the Bluffdale home for \$590,000, although it was actually worth \$810,000;
  - b. If the Investors purchased the home, they could obtain a loan for the full value of the home, pay the purchase price to the seller and have the difference available to invest;
  - c. The Investors could invest the excess equity with Wright and his partner, Michael Stephen Hurst (Hurst), in a high yield mutual fund account entitled Capital Enhancement Club (Capital Enhancement); and
  - d. That Wright himself was making a return of 30% on his own investment with Capital Enhancement.
6. In or around August 2002, the Investors met with Wright for a second time to discuss an investment in Capital Enhancement. Wright showed the Investors documentation

asserting that return rates for an investment in Capital Enhancement ranged from 8 to 10% for a lower risk, more conservative investment.

7. In or around October 2002, the Investors met again with Wright to review the different possible investment packages in Capital Enhancement. Wright represented to the Investors that the investment packages would yield returns of 8 to 10% for lower risk, more conservative investments, or up to 30% for higher risk, more aggressive investments.
8. At the October 2002 meeting, the Investors told Wright and Hurst they wanted to buy the Bluffdale home and invest the excess equity in a conservative Capital Enhancement account yielding 8 to 10%.
9. Wright told the Investors that he would send them \$75,000 of their equity to put into a personal savings account as a backup in the event they could not make the mortgage payment.
10. Wright told the Investors that he and Hurst owned ten other homes and could help with the Investors' mortgage payment if there was ever a problem.
11. The Investors agreed to purchase the home for \$590,000, but planned to obtain a loan for the full value of the home (\$810,000), and invest the excess equity in Capital

Enhancement.<sup>1</sup> Wright arranged financing for the Investors through Majestic Mountain Mortgage.

12. On or about January 22, 2003, the Investors met at Advantage Title Company (Advantage Title), in South Jordan, Utah, and closed on the purchase of the Bluffdale home. The Investors were not given the first page of the HUD Uniform Settlement Statement which showed two disbursements, one to an entity called BDG Group for \$15,000, and another to Reminders Inc. for \$195,000. Wright did not tell the Investors some of their money would go to these entities.
13. BDG Group was owned and controlled by an individual, S. H.
14. Reminders Inc. was owned and controlled by Hurst and his wife, Audrey.
15. During the Division's investigation, Wright told the Division that the \$15,000 paid to BDG Group from the Investors' escrow account at Advantage Title was to pay S.H.'s "finders fee" for telling Wright about the Bluffdale home. According to S.H., however, the \$15,000 was to repay him for a past due debt owed to him by Wright from a separate matter.
16. On January 29, 2003, \$15,000 was in fact transferred, by check, to BDG Group's account from the Investors escrow account at Advantage Title.

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<sup>1</sup> Based on discussions with Wright and Hurst, the Investors understood that they would receive two loans equaling the full cost of the home, \$810,000, plus closing costs. At closing, however, the Investors received two loans that equaled \$758,589. The first page of the closing statement, which the Investors did not receive, revealed a fictitious down payment from the Investors of \$61,000. The Investors were unaware of the fictitious down payment.

17. On February 5, 2003, \$128,410 was sent by wire transfer to Reminders Inc.'s account from the Investors escrow account at Advantage Title.
18. On February 6, 2003, \$125,000 was sent by wire transfer from Reminders Inc. to an individual, B.W.
19. B.W. told the Division he received the \$125,000 from Hurst, and invested it in rough cut diamonds on behalf of Hurst. B.W. was not aware of the Investors or their investment in Capital Enhancement. According to B.W., the investment in diamonds was not successful.
20. The Investors never received the promised \$75,000 for their savings account, they saw none of the equity created from the purchase of the Bluffdale home, and received no return of principal or interest on what they believed to be an investment in Capital Enhancement.
21. On May 4, 2005, the Securities and Exchange Commission (SEC) filed an emergency action against an entity called Capital Enhancement Club and its owner/operator, David Tanner, alleging that they were engaged in an "ongoing fraudulent Internet-based high yield investment scheme" that raised at least \$15 million, most of which was sent offshore.
22. Wright was a licensed agent from May 1993 to December 1995.
23. At the time of the Investors' investment, Wright had three outstanding civil judgments against him, totaling \$327,225, which were not disclosed to the Investors.

24. Wright was also delinquent on his income taxes owed to the State of Utah for the years 1995 through 1997, and 1999 through 2001, and still owes a total of \$56,970. These delinquencies were not disclosed to the Investors.
25. In October and November of 2003, Wright made two restitution payments to the Investors of \$3,000 and \$1,900 respectively.
26. From June 2004 to July 2005, Hurst made six restitution payments to the Investors totaling \$40,000.
27. The Investors are still owed \$98,510 from Wright and Hurst.

### **III. CONCLUSIONS OF LAW**

28. The service of the OSC and the Notice of Agency Action initiating these proceedings is valid upon Wright.
29. Because Wright did not file an answer, written response, or otherwise appear, he is in default.
30. The investment opportunity offered and sold to the Investors by Wright is a security under the Utah Uniform Securities Act (the Act).
31. In connection with the offer and sale of a security, Wright made untrue statements of material fact to the Investors.
32. By this conduct, Wright violated § 61-1-1(2) of the Act.


33. In connection with the offer and sale of a security, Wright omitted to state to the Investors various material facts which were necessary to make the statements made not misleading.
34. By this conduct, Wright violated § 61-1-1(2) of the Act.

#### **IV. ORDER**

Based on the above, the Director hereby:

1. Declares Wright in default for failing to respond to the OSC and Notice issued February 10, 2006.
2. Enters, as its own findings, the Finding of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law describe in Section III above.
4. Finds that Wright willfully violated the Utah Uniform Securities Act by:
  - a. Making material misrepresentations in connection with the offer and sale of a security in Utah in violation of § 61-1-1(2); and
  - b. Omitting to disclose material information in connection with the offer and sale of a security in Utah in violation of § 61-1-1(2).
5. Orders Wright to permanently CEASE and DESIST from any violations of the Act.
6. Orders Wright to pay a fine of one-hundred and eighteen thousand, five-hundred and ten dollars (\$118,510) to the Division, to be offset, dollar for dollar, by the last ninety-eight thousand five-hundred and ten dollars (\$98,510) of restitution paid to the Investors pursuant to a payment schedule that does not exceed three years.

DATED this 19<sup>th</sup> day of April, 2006.

  
WAYNE KLEIN  
Director, Division of Securities



Pursuant to § 63-46b-11(3), Respondent may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.



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AFFIDAVIT OF SERVICE AND NON-  
RESPONSE

**Docket No. SD-06-0008**  
Docket No. SD-06-0009

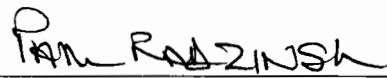
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I, Pam Radzinski, first being duly sworn, depose and state as follows:

1. I am the Executive Secretary for the Department of Commerce Division of Securities (the Division).
2. As executive secretary for the Division, I am responsible for supervising the mailing of the Division's Orders to Show Cause and for receiving any responses filed by respondents.

3. On February 10, 2006, the Division served, by certified mail, an Order to Show Cause (OSC) to Kevin Lawrence Wright (Wright) and Michael Stephen Hurst, along with a Notice of Agency Action (Notice) advising that a default order would be entered if they failed to file a written response to the OSC within thirty (30) days of the mailing date of the Notice.
4. On February 22, 2006, the copy mailed to Wright was returned to the Division by the United States Postal Service, with notice of Wright's forwarding address.
5. On March 14, 2006, the Division mailed the OSC and Notice, by certified mail, to Wright's forwarding address.
6. On March 16, 2006, the OSC and Notice were successfully delivered to Wright's forwarding address.
7. As of April 17, 2006, the Division has not received a response from Wright.

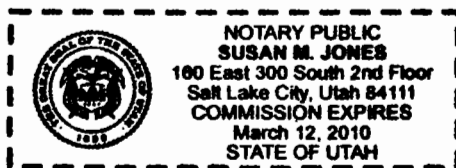
DATED this 19th day of April, 2006.

  
PAM RADZINSKI  
Executive Secretary

SALT LAKE COUNTY     )  
                                  ) ss  
STATE OF UTAH         )

Signed and subscribed to before me this 19th day of April, 2006

  
Notary Public



**CERTIFICATE OF MAILING**

I hereby certify that on the 24th day of April 2006, I mailed, by certified mail, a true and correct copy of the forgoing **Default Order and Affidavit of Service and Non-**


**Response to:**

Paula Faerber  
Kruse, Landa, Maycock & Ricks  
50 W Broadway Ste 800  
Salt Lake City, UT 84101

CERTIFIED MAIL: 7004 2510 0006 1196 9933

Kevin Lawrence Wright  
135 N 900 E Ste 2  
St George UT 84770-3263

CERTIFIED MAIL: 7004 2510 0006 1196 9940

  
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Executive Secretary